

**Ogemaw Township
Ogemaw County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name OGEMAW TOWNSHIP	County OGEMAW
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 30, 2006	Date Audit Report Submitted to State DECEMBER 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

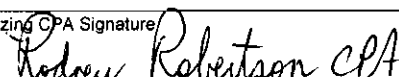
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

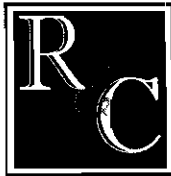
I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER CPAs, P.C.		Telephone Number 989-685-2411	
Street Address 103 E MAIN STREET		City ROSE CITY	State MI
		Zip 48654	
Authorizing CPA Signature 		Printed Name RODNEY ROBERTSON	License Number 11010007829

Ogemaw Township

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ROBERTSON & CARPENTER CPAs, P.C.

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INDEPENDENT AUDITOR'S REPORT

Township Board
Ogemaw Township
West Branch, Michigan 48661

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ogemaw Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ogemaw Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

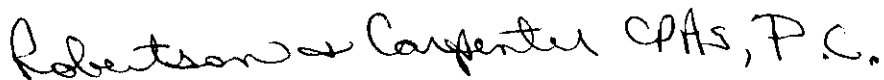
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ogemaw Township as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006, on our consideration of Ogemaw Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 29 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ogemaw Township's basic financial statements. The accompanying pages of other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robertson & Carpenter CPAs, P.C.

October 30, 2006

Management's Discussion and Analysis

As management of Ogemaw Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of Ogemaw Township exceeded its liabilities at the close of the most recent fiscal year by \$4,649,304 (*net assets*). Unrestricted net assets for the governmental activities were \$159,426. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$ 1,028,219, an increase of \$ 184,186 in comparison with the prior year. Approximately 16% of the total amount, \$159,426, is available in the general fund for spending at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$159,426 or 114% of total general fund expenditures.
- The Township's total debt increased by \$ 460,000 (20%) during the current fiscal year, due to bonds issued for road construction.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community development. The business-type activities of the Township include a sewer system and a water system.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Ogemaw Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund and Road Construction Fund. Data from the four non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for the Building Fund, Cemetery Fund, DDA Fund and Debt Service Fund is provided elsewhere in this report.

Ogemaw Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Road Fund and Road Construction Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Proprietary Funds. Ogemaw Township maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and water activities.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 29-31 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 32-33 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$4,649,304 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$1,889,515, or 41%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding plus unspent funds restricted for capital assets or debt retirement. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$868,793, or 19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,890,996, or 40%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$1,133,034	\$851,867	\$1,746,212	\$2,264,647	\$2,879,246	\$3,116,514
Capital Assets, Net	1,146,081	722,174	3,512,655	3,068,925	4,658,736	3,791,099
Total Assets	<u>2,279,115</u>	<u>1,574,041</u>	<u>5,258,867</u>	<u>5,333,572</u>	<u>7,537,982</u>	<u>6,907,613</u>
Current Liabilities	114,036	13,616	14,642	162,242	128,678	175,858
Noncurrent liabilities:						
Due Within One Year	55,000	25,000	95,000	90,000	150,000	115,000
Due in More Than One Year	1,435,000	915,000	1,175,000	1,270,000	2,610,000	2,185,000
Total Liabilities	<u>1,604,036</u>	<u>953,616</u>	<u>1,284,642</u>	<u>1,522,242</u>	<u>2,888,678</u>	<u>2,475,858</u>
Net Assets:						
Invested in Capital Assets	(353,140)	(223,608)	2,242,655	1,708,925	1,889,515	1,485,317
Restricted	868,793	675,868	-	-	868,793	675,868
Unrestricted	<u>159,426</u>	<u>168,165</u>	<u>1,731,570</u>	<u>2,102,405</u>	<u>1,890,996</u>	<u>2,270,570</u>
Total Net Assets	<u>\$ 675,079</u>	<u>\$620,425</u>	<u>\$3,974,225</u>	<u>\$ 3,811,330</u>	<u>\$ 4,649,304</u>	<u>\$4,431,755</u>

The Township's net assets increased by \$217,549 during the current fiscal year discussed below.

Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program Revenue:						
Charges for Services	\$ 10,707	\$4,021	\$ 51,244	\$ 47,678	\$61,951	\$ 51,699
Capital Grants	-	-	206,140	1,439,161	206,140	1,439,161
General Revenue:						
Property Taxes	188,516	177,937	-	-	188,516	177,937
State-Shared Revenues	79,996	82,068	-	-	79,996	82,068
Interest Earnings	16,398	17,884	89,233	25,129	105,631	43,013
Other	11,836	4,714	-	-	11,836	4,714
	<u>307,453</u>	<u>286,624</u>	<u>346,617</u>	<u>1,511,968</u>	<u>654,070</u>	<u>1,798,592</u>
Expenses:						
General						
Government	114,115	96,028	-	-	114,115	96,028
Public Safety	24,877	18,879	-	-	24,877	18,879
Public Works	65,951	33,316	-	-	65,951	33,316
Community						
Development	2,922	4,818	-	-	2,922	4,818
Interest on Debt	44,934	41,313	-	-	44,934	41,313
Sewer and Water	-	-	183,722	153,356	183,722	153,356
Total Expenses	<u>252,799</u>	<u>194,354</u>	<u>183,722</u>	<u>153,356</u>	<u>436,521</u>	<u>347,710</u>
Increase (Decrease) in Net Assets	54,654	92,270	162,895	1,358,612	217,549	1,450,882
Net Assets, Beginning of Year	620,425	528,155	3,811,330	2,452,718	4,431,755	2,980,873
Net Assets, End of Year	<u>\$675,079</u>	<u>\$620,425</u>	<u>\$3,974,225</u>	<u>\$3,811,330</u>	<u>\$4,649,304</u>	<u>\$4,431,755</u>

Governmental activities. Governmental activities increased the Township's net assets by \$54,654. Governmental revenues increased by \$20,829. Governmental expenses increased by \$ 58,445, primarily due to an increase in depreciation expense on capital assets.

Business-type activities. Business-type activities increased the Township's net assets by \$ 162,895. Ownership of the Township's share of the Sewer System formerly owned by the Board of Public Works was transferred to the Township during the year. This transfer resulted in an increase in net assets in the Sewer Fund of \$206,140.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,028,219, an increase of \$184,186 in comparison with the prior year. Approximately 16% of this total amount (\$159,426) constitutes *unreserved fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are reserved or included in special revenue funds and not available for current general fund expenditures. The fund balance amounts in special revenue funds consists of \$361,823 in the Road Fund, \$482,241 in the Road Construction Fund, \$557 in the Debt Retirement Fund, \$15,883 in the Building Fund, \$5,896 in the Cemetery Fund and \$2,393 in the DDA Fund.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$159,426. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 11% of total general fund expenditures.

The fund balance of the General Fund decreased by \$8,739 during the current fiscal year. The increases in fund balances in the Special Revenue funds were as follows: Road Fund \$64,316, Road Construction Fund \$119,419, Building Fund \$158, Cemetery Fund \$983 and DDA Fund 8,049. There was no change in the fund balance in the Debt Retirement Fund.

Proprietary funds. The Township proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund and Water Fund at the end of the year amounted to \$2,588,789 and \$1,385,436, respectively. The total increase in net assets was \$162,895. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was amended during the year, revising functional categories as needed. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$4,658,736 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Governmental Fund additions totaled \$465,869 including road improvements of \$464,695 for the fiscal year. Sewer Fund additions were \$242,962. The assets transferred to the Township by the Board of Public Works were \$205,140. Water Fund additions during the year were \$290,720.

Township's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 35,123	\$ 35,123	\$ -	\$ -	\$ 35,123	\$ 35,123
Infrastructure	1,056,718	630,203	-	-	1,056,718	630,203
Buildings and Improvements	49,855	50,844	-	-	49,855	50,844
Furniture and Equipment	4,385	6,004	-	-	4,385	6,004
Sewer and water systems	-	-	3,512,655	3,068,925	3,512,655	3,068,925
Total	\$1,146,081	\$722,174	\$3,512,655	\$3,068,925	\$ 4,658,736	\$3,791,099

Additional information on the Township's capital assets can be found in note 5 on pages 25-26 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$2,760,000. The outstanding balance of revenue bonds issued for road construction purposes totaled \$1,490,000. Revenue bonds for the water system construction of \$1,270,000 were outstanding at year end. Bonds totaling \$575,000 were issued during the year for road construction purposes.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2006-2007, the General Fund received \$79,996 in state shared revenue from sales tax distributions, representing 60% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Township of Ogemaw
Township Hall
1990 Gray Rd.
West Branch, Michigan 48661

Ogemaw Township
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,120,134	\$ 446,372	\$ 1,566,506
Receivables	1,498	1,299,840	1,301,338
Due from governmental units	11,402	-	11,402
Capital assets-net	<u>1,146,081</u>	<u>3,512,655</u>	<u>4,658,736</u>
Total assets	<u>2,279,115</u>	<u>5,258,867</u>	<u>7,537,982</u>
Liabilities			
Accounts payable	103,612	14,642	118,254
Accrued and other liabilities	10,424	-	10,424
Noncurrent liabilities (Note 7):			
Due within one year	55,000	95,000	150,000
Due in more than one year	<u>1,435,000</u>	<u>1,175,000</u>	<u>2,610,000</u>
Total liabilities	<u>1,604,036</u>	<u>1,284,642</u>	<u>2,888,678</u>
Net Assets			
Invested in capital assets, net of related debt	(353,140)	2,242,655	1,889,515
Restricted:			
Road Fund	361,823	-	361,823
Road Construction Fund	482,241	-	482,241
Other	24,729	-	24,729
Unrestricted	<u>159,426</u>	<u>1,731,570</u>	<u>1,890,996</u>
Total net assets	<u>\$ 675,079</u>	<u>\$ 3,974,225</u>	<u>\$ 4,649,304</u>

See accompanying notes to financial statements.

Ogemaw Township
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>
Primary government:			
Governmental Activities:			
General government	\$ 114,115	\$ 5,315	\$ -
Public safety	24,877	5,392	-
Public works	65,951	-	-
Community development	2,922	-	-
Interest on long term debt	44,934	-	-
Total governmental activities	252,799	10,707	-
Business-type activities:			
Sewage disposal system	102,565	37,213	206,140
Water system	81,157	14,031	-
Total business-type activities	183,722	51,244	206,140
Total primary government	436,521	61,951	206,140

General Revenues:

Property taxes and fees
State-shared revenues
Interest and investment earnings
Other

Total general revenues

Change in Net Assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (108,800)	\$ -	\$ (108,800)
(19,485)	-	(19,485)
(65,951)	-	(65,951)
(2,922)	-	(2,922)
<u>(44,934)</u>	<u>-</u>	<u>(44,934)</u>
(242,092)	-	(242,092)
	140,788	140,788
<u>-</u>	<u>(67,126)</u>	<u>(67,126)</u>
-	73,662	73,662
<u>(242,092)</u>	<u>73,662</u>	<u>(168,430)</u>
188,516	-	188,516
79,996	-	79,996
16,398	89,233	105,631
<u>11,836</u>	<u>-</u>	<u>11,836</u>
<u>296,746</u>	<u>89,233</u>	<u>385,979</u>
54,654	162,895	217,549
<u>620,425</u>	<u>3,811,330</u>	<u>4,431,755</u>
<u>\$ 675,079</u>	<u>\$ 3,974,225</u>	<u>\$ 4,649,304</u>

Ogemaw Township
Governmental Funds
Balance Sheet
June 30, 2006

	General Fund	Road Fund	Road Construction Fund
Assets			
Cash and investments	\$ 150,834	\$ 362,773	\$ 575,708
Taxes receivable	1,498	-	-
Due from other funds	6,000	-	-
Due from other governmental units	11,402	-	-
Total assets	\$ 169,734	\$ 362,773	\$ 575,708
Liabilities			
Accounts payable	\$ 9,105	\$ 950	\$ 93,467
Accrued and other liabilities	1,203	-	-
Due to other funds	-	-	-
Total liabilities	10,308	950	93,467
Fund balances			
Unreserved:			
General Fund	159,426	-	-
Special Revenue Funds	-	361,823	-
Capital Projects	-	-	482,241
Designated	-	-	-
Total fund balances	159,426	361,823	482,241
Total liabilities and fund balances	\$ 169,734	\$ 362,773	\$ 575,708

Fund Balances - Total Governmental Funds

Elimination of due to and due from governmental funds

 Due to

 Due from

Amounts reported for governmental activities in the statement of net assets are different because:

 Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

 The cost of capital assets is

 Accumulated depreciation is

Long term liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest is not included as a liability in governmental funds.

Net Assets of Governmental Activities

See accompanying notes to financial statements.

Nonmajor Governmental Fund	Total Governmental Funds
\$ 30,819	\$ 1,120,134
-	1,498
-	6,000
-	11,402
<u>\$ 30,819</u>	<u>\$ 1,139,034</u>
\$ 90	\$ 103,612
-	1,203
6,000	6,000
<u>6,090</u>	<u>110,815</u>
-	159,426
-	361,823
24,172	506,413
557	557
<u>24,729</u>	<u>1,028,219</u>
\$ 30,819	\$ 1,139,034
	1,028,219
	6,000
	(6,000)
	1,312,913
	(166,832)
	(1,490,000)
	(9,221)
	<u>\$ 675,079</u>

Ogemaw Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2006

	General Fund	Road Fund	Road Construction Fund
Revenues			
Taxes and fees	\$ 32,245	\$ 147,798	\$ -
State-shared revenues	78,119	1,877	-
Charges for services	5,392	-	-
Interest and rentals	7,355	6,748	5,165
Reimbursements	5,375	-	-
Other	2,037	4,424	-
Total revenues	<u>130,523</u>	<u>160,847</u>	<u>5,165</u>
Expenditures			
Current:			
General government	109,029	-	-
Public safety	24,877	-	-
Public works	1,684	30,036	460,746
Community development	2,498	-	-
Capital outlay	1,174	-	-
Debt Service:			
Principal retirement	-	-	-
Interest and finance charges	-	-	-
Total expenditures	<u>139,262</u>	<u>30,036</u>	<u>460,746</u>
Excess of Revenues Over (Under)			
Expenditures	(8,739)	130,811	(455,581)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers (out)	-	(66,495)	-
Bond proceeds	-	-	575,000
Total other financing uses	<u>-</u>	<u>(66,495)</u>	<u>575,000</u>
Change in Fund Balance	(8,739)	64,316	119,419
Fund balances-Beginning of year	<u>168,165</u>	<u>297,507</u>	<u>362,822</u>
Fund balances-End of year	<u>\$ 159,426</u>	<u>\$ 361,823</u>	<u>\$ 482,241</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,473	\$ 188,516
-	79,996
2,150	7,542
295	19,563
-	5,375
-	6,461
<u>10,918</u>	<u>307,453</u>
1,304	110,333
-	24,877
-	492,466
424	2,922
-	1,174
-	-
25,000	25,000
41,495	41,495
<u>68,223</u>	<u>698,267</u>
(57,305)	(390,814)
66,495	66,495
-	(66,495)
-	575,000
<u>66,495</u>	<u>575,000</u>
9,190	184,186
<u>15,539</u>	<u>844,033</u>
\$ <u>24,729</u>	\$ <u>1,028,219</u>

Ogemaw Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	184,186
---------------------------------------------------------------	----	---------

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(41,962)	
Capital outlay		1,174	
Public works - roads		<u>464,695</u>	
			423,907

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund activities.		(3,439)
--------------------------------------------------------------------------------------------------------------------------------------	--	---------

Repayments of road construction revenue bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		25,000
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

Bond proceeds are not reported as financing sources on the statement of activities.		<u>(575,000)</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>54,654</u></u>
--------------------------------------------------------	----	----------------------

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Net Assets
June 30, 2006

	<u>Enterprise Funds</u>		Total Enterprise Funds
	<u>Sewer System</u>	<u>Water System</u>	
Assets			
Current assets:			
Cash and cash equivalents	\$ 231,251	\$ 215,121	\$ 446,372
Accounts receivable	152,638	1,147,202	1,299,840
Due from other funds	-	2,426	2,426
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	383,889	1,364,749	1,748,638
Noncurrent assets:			
Capital assets	<u>2,221,324</u>	<u>1,291,331</u>	<u>3,512,655</u>
Total noncurrent assets	<u>2,221,324</u>	<u>1,291,331</u>	<u>3,512,655</u>
Total assets	2,605,213	2,656,080	5,261,293
Liabilities			
Current liabilities:			
Accounts payable	13,998	644	14,642
Accrued liabilities	-	-	-
Due to other funds	2,426	-	2,426
Current portion of noncurrent liabilities	<u>-</u>	<u>95,000</u>	<u>95,000</u>
Total current liabilities	16,424	95,644	112,068
Long-term Debt - Net of current portion	<u>-</u>	<u>1,175,000</u>	<u>1,175,000</u>
Total liabilities	16,424	1,270,644	1,287,068
Net Assets			
Invested in capital assets - Net of related debt	2,221,324	21,331	2,242,655
Unrestricted	<u>367,465</u>	<u>1,364,105</u>	<u>1,731,570</u>
Total net assets	\$ <u>2,588,789</u>	\$ <u>1,385,436</u>	\$ <u>3,974,225</u>

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Assets
Year Ended June 30, 2006

	<u>Enterprise Funds</u>		Total Enterprise Funds
	<u>Sewer System</u>	<u>Water System</u>	
Operating Revenue			
Customer billings	\$ 37,213	\$ 14,031	\$ 51,244
Total operating revenue	37,213	14,031	51,244
Operating Expenses			
Contracted services	28,260	-	28,260
Utilities	133	3,042	3,175
Repairs and maintenance	1,452	384	1,836
Other supplies and expenses	1,824	6,127	7,951
Depreciation	<u>70,896</u>	<u>19,056</u>	<u>89,952</u>
Total operating expenses	102,565	28,609	131,174
Operating Income (Loss)	(65,352)	(14,578)	(79,930)
Nonoperating Revenue (Expenses)			
Interest income	13,455	75,778	89,233
Contributed capital	206,140	-	206,140
Interest expense	<u>-</u>	<u>(52,548)</u>	<u>(52,548)</u>
Change in Net Assets	154,243	8,652	162,895
Net assets - Beginning of year	<u>2,434,546</u>	<u>1,376,784</u>	<u>3,811,330</u>
Net Assets - End of year	<u>\$ 2,588,789</u>	<u>\$ 1,385,436</u>	<u>\$ 3,974,225</u>

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2006

	<u>Enterprise Funds</u>		Total Enterprise Fund
	<u>Sewer System</u>	<u>Water System</u>	
Cash Flows from Operating Activities			
Receipts from customers	\$ 76,258	\$ 104,153	\$ 180,411
Payments to suppliers	(67,611)	(118,785)	\$ (186,396)
Net cash provided by operating activities	8,647	(14,632)	(5,985)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	-	-	-
Net cash provided by noncapital financing activities	-	-	-
Cash Flows from Capital and Related Financing Activities			
Capital contributions	206,140	-	206,140
Purchase of capital assets	(242,962)	(290,720)	(533,682)
Payments on long-term debt:			
Principal	-	(90,000)	(90,000)
Interest	-	(52,548)	(52,548)
Net cash used in capital and related financing activities	(36,822)	(433,268)	(470,090)
Cash Flows from Investing Activities -			
Interest received on investments	13,455	75,778	89,233
Net Increase in Cash and Cash Equivalents	(14,720)	(372,122)	(386,842)
Cash and Cash Equivalents - Beginning of year	245,971	587,243	833,214
Cash and Cash Equivalents - End of year	<u>\$ 231,251</u>	<u>\$ 215,121</u>	<u>\$ 446,372</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	231,251	215,121	446,372
Total cash and cash equivalents	<u>\$ 231,251</u>	<u>\$ 215,121</u>	<u>\$ 446,372</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income (loss)	(65,352)	(14,578)	(79,930)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	70,896	19,056	89,952
Changes in assets and liabilities:			-
Receivables	39,045	92,548	131,593
Due from other funds		(2,426)	(2,426)
Accounts and other payable	(38,368)	(109,232)	(147,600)
Due to other funds	2,426	-	2,426
Net cash provided by (used in) operating activities	<u>\$ 8,647</u>	<u>\$ (14,632)</u>	<u>\$ (5,985)</u>

See accompanying notes to financial statements.

Ogemaw Township
Fiduciary Funds
Statement of Net Assets
June 30, 2006

	Pension Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 1,498
Investments - at fair value	<u>33,019</u>	<u>-</u>
Total assets	\$ <u><u>33,019</u></u>	\$ <u><u>1,498</u></u>
 Liabilities		
Accounts payable	\$ -	\$ 1,498
Due to other governments	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	\$ <u><u>1,498</u></u>
 Net Assets - Held in trust for pension and other employee benefits	 \$ <u><u>33,019</u></u>	

See accompanying notes to financial statements.

Ogemaw Township
Fiduciary Funds
Statement of Changes in Net Assets
June 30, 2006

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 3,320
Employee	-
Investment Earnings	<u>1,491</u>
Total additions	4,811
 Deductions	
Withdrawals	\$ <u>17,479</u>
Total deductions	<u>17,479</u>
 Net increase	(12,668)
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>45,687</u>
End of the year	\$ <u><u>33,019</u></u>

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Ogemaw Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the financial statements present the Township as the primary government. The Township does not contain any component units.

Joint Area Fire Board - The Township, in conjunction with the City of West Branch and the townships of Ogemaw, Churchill, Edwards, Horton and West Branch has created the Ogemaw Fire Department (the "Fire Department"). The Fire Department's Board is comprised of the executive from each government or a designated representative with one vote each. The Fire Department is funded through contributions from the members based on their pro-rated share of combined state equalized value (SEV) of the municipalities. The total contributions from the municipalities for 2005 was \$125,116. Ogemaw Township's share was \$15,216, or 12.1%.

The most recent available information from the Fire Board's audited financial statements as of December 31, 2005:

Total Assets	\$	282,640	Total Revenues	\$	144,245
Total Liabilities		8,909	Total Expenditures		82,999
Total Equity		273,731	Increase in fund balance		61,246

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings, and assets belonging to the Fire Department shall remain with any two or more of the original municipalities that agree to continue under the terms of the contract on the effective date of the dissolution. The Township's interest in the net assets of the Fire Department has not been included as part of the governmental activities in the statement of net assets. The Township is unaware of any circumstances that would cause an additional burden to the participating municipalities in the near future. Complete financial statements can be obtained from the Township Clerk at P.O. Box 5, West Branch, Michigan 48661.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis for Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absence expenditures are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Road Fund - The Road Fund is used to record property tax revenue, interest earnings, and other revenue restricted for use on Township roads.

Note 1 - Summary of Significant Accounting Policies (Continued)

Road Construction Fund - (a Capital Projects Fund type) is used to account for the road construction activities financed with bond proceeds restricted for road construction.

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system.

Water Fund - The Water Fund accounts for the activities of the water system.

Additionally, the Township reports the following funds:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$37,003,307. The 2005 tax levy was .7940 mills for general operating purposes, 4.0000 for road maintenance raising \$28,267 for general operating purposes, \$147,798 for road maintenance purposes and \$ 8,473 for the DDA Fund.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. Public hearings are held to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the Township Board.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the Township Board is the activity level.

During the year, the budgets were amended in a legally permissible manner.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Public Safety	24,440	24,877	437
Capital Outlay	1,059	1,174	115
Road Construction Fund			
Public Works	437,265	460,746	23,481

Ogemaw Township
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits and Investments

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

Government-wide Financial Statement Captions:	Governmental Activities	Business-Type Activities	Township Total
Cash and cash equivalents	\$ 1,120,134	\$ 446,372	\$ 1,566,506
Investments	-	-	-
	<u>\$ 1,120,134</u>	<u>\$ 446,372</u>	<u>\$ 1,566,506</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings, and certificates of deposit)	\$ 1,566,506
Investments	-
	<u>\$ 1,566,506</u>

Investment and deposit risk:

Interest rate risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for custodial credit risk. At June 30, 2006, \$1,130,845 of the Township's bank balances of \$1,569,596 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Townships funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township is authorized by statute and Township policy to invest surplus funds in the following:

- a. Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States with remaining maturities of two years or less.
- b. Certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation.
- c. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services.

The Township's deposits are in accordance with statutory authority.

Ogemaw Township
Notes to Financial Statements
June 30, 2006

Note 4 - Receivables

The following is the detail of the receivables of the governmental activities due from other governmental units at June 30, 2006:

	General Fund	Total
State of Michigan	\$ 11,402	\$ 11,402
	<u>\$ 11,402</u>	<u>\$ 11,402</u>

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities were as follows:

Governmental Activities

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Assets</u>				
Capital assets not being depreciated - Land	\$ 35,123	\$ -	\$ -	\$ 35,123
Capital assets being depreciated:				
Infrastructure	672,257	464,695	-	1,136,952
Buildings	111,238	1,174	-	112,412
Furniture and equipment	<u>28,426</u>	<u>-</u>	<u>-</u>	<u>28,426</u>
Subtotal	<u>847,044</u>	<u>465,869</u>	<u>-</u>	<u>1,312,913</u>
<u>Accumulated Depreciation</u>				
Infrastructure	42,054	38,180	-	80,234
Buildings	60,395	2,162	-	62,557
Furniture and equipment	<u>22,421</u>	<u>1,620</u>	<u>-</u>	<u>24,041</u>
Subtotal	<u>124,870</u>	<u>41,962</u>	<u>-</u>	<u>166,832</u>
Net capital assets being depreciated	722,174	423,907	-	1,146,081
Net capital assets	<u>\$ 722,174</u>	<u>\$ 423,907</u>	<u>\$ 0</u>	<u>\$ 1,146,081</u>

Ogemaw Township
Notes to Financial Statements
June 30, 2006

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Assets</u>				
Capital assets not being depreciated - Land	\$ 40,000	\$ -	\$ -	40,000
Capital assets being depreciated				
Water system	979,667	290,720	-	1,270,387
Sewer system	3,330,958	242,962	-	3,573,920
Subtotal	4,310,625	533,682	-	4,844,307
<u>Accumulated Depreciation</u>				
Water system	-	19,056	-	19,056
Sewer system	1,281,700	70,896	-	1,352,596
Subtotal	1,281,700	89,952	-	1,371,652
Net capital assets being depreciated	3,028,925	443,730	-	3,472,655
Net capital assets	\$ 3,791,099	\$ 867,637	\$ 0	\$ 4,658,736

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 3,782
Public works	38,180
Total governmental activities	\$ 41,962

Business-type activities - Sewer	\$ 70,896
- Water	19,056
	\$ 89,952

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 6,000	DDA	\$ 6,000
Water	2,426	Sewer	2,426
Total	\$ 8,426	Total	\$ 8,426
<u>Transfer In</u>		<u>Transfer Out</u>	
Principal & Interest Fund	\$ 66,495	Road Fund	\$ 66,495
	\$ 66,495		\$ 66,495

The transfer from the Road Fund was made to pay principal and interest for the year.

Note 7 - Long Term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Ogemaw Township
Notes to Financial Statements
June 30, 2006

Note 7 - Long Term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities				
Revenue Obligations:				
2003 Road Construction (Interest Rate 5%)	\$ 940,000	\$ (25,000)	\$ 915,000	\$ 25,000
2006 Road Construction (Interest Rate 4.0 - 4.7%)	-	575,000	575,000	30,000
Total government activities	940,000	550,000	1,490,000	\$ 55,000
Business-type Activities				
2005 Water system (Interest Rate 3.4 - 4.5%)	\$ 1,360,000	\$ (90,000)	\$ 1,270,000	\$ 95,000

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 55,000	\$ 65,774	\$ 120,774
2008	55,000	63,699	118,699
2009	60,000	61,618	121,618
2010	60,000	59,330	119,330
2011	65,000	56,868	121,868
2012-2017	530,000	272,203	802,203
2018-2022	665,000	99,403	764,403
Total	<u>\$ 1,490,000</u>	<u>\$ 678,895</u>	<u>\$ 2,168,895</u>
	<u>Business - type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 95,000	\$ 49,470	\$ 144,470
2008	95,000	46,193	141,193
2009	95,000	42,915	137,915
2010	95,000	39,638	134,638
2011	95,000	36,333	131,333
2012-2017	395,000	109,263	504,263
2018-2022	400,000	44,000	444,000
Total	<u>\$ 1,270,000</u>	<u>\$ 367,812</u>	<u>\$ 1,637,812</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 9 - Pension Plan

Ogemaw Township contributes to the Ogemaw Township Employee Money Purchase Plan, which is a defined contribution pension plan with the Gleaners Life Insurance Society. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Township employees are eligible to participate in the plan at the first plan anniversary date (July 1) after they take office. Contributions made by an employee and the Township vest immediately. An employee that leaves employment of the Township is entitled to his or her account balance consisting of employee and Township contributions, as well as earnings in the account.

The contract requires contributions based on annual salary. No employee contributions are required. The Township is required to contribute 7.3% of compensation. Covered wages for the fiscal year were \$48,466. Total wages for the fiscal year were \$51,026. The employer contribution was \$3,320.

Gleaners Life Insurance Society held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Required Supplemental Information

Ogemaw Township
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	\$ 176,315	\$ 176,315	\$ 168,165	\$ (8,150)
Resources (Inflows)				
Taxes and fees	32,980	32,980	32,245	(735)
State-shared revenues	80,350	80,350	78,119	(2,231)
Charge for services	1,200	1,200	5,392	4,192
Interest and rentals	2,600	2,600	7,355	4,755
Reimbursements	4,450	4,450	5,375	925
Other	14,300	14,300	2,037	(12,263)
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>312,195</u>	<u>312,195</u>	<u>298,688</u>	<u>(13,507)</u>
Charges to Appropriations (Outflows)				
General government	140,567	140,567	109,029	(31,538)
Public safety	24,440	24,440	24,877	437
Public works	1,800	1,800	1,684	(116)
Community development	4,030	4,030	2,498	(1,532)
Capital outlay	<u>1,059</u>	<u>1,059</u>	<u>1,174</u>	<u>115</u>
Total charges to appropriations	<u>171,896</u>	<u>171,896</u>	<u>139,262</u>	<u>(32,634)</u>
Fund Balance - end of year	<u>\$ 140,299</u>	<u>\$ 140,299</u>	<u>\$ 159,426</u>	<u>\$ 19,127</u>

Ogemaw Township
 Budgetary Comparison Schedule - Road Fund
 Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	\$ 292,382	\$ 292,382	\$ 297,507	\$ 5,125
Resources (Inflows)				
Taxes and fees	140,000	140,000	147,798	7,798
State-shared revenues	-	-	1,877	1,877
Other	-	-	4,424	4,424
Interest	1,000	1,000	6,748	5,748
Amounts available for appropriation	<u>433,382</u>	<u>433,382</u>	<u>458,354</u>	<u>24,972</u>
Charges to Appropriations (Outflows)				
Public works	46,500	46,500	30,036	(16,464)
Transfer to other funds	<u>67,000</u>	<u>67,000</u>	<u>66,495</u>	<u>(505)</u>
Total charges to appropriations	<u>113,500</u>	<u>113,500</u>	<u>96,531</u>	<u>(16,969)</u>
Fund Balance - end of year	\$ <u>319,882</u>	\$ <u>319,882</u>	\$ <u>361,823</u>	\$ <u>41,941</u>

Ogemaw Township
 Budgetary Comparison Schedule - Road Construction Fund
 Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	\$ 631,982	\$ 631,982	\$ 362,822	\$ (269,160)
Resources (Inflows)				
Taxes and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	2,000	2,000	5,165	3,165
Bond proceeds	1,500,000	1,500,000	575,000	(925,000)
Amounts available for appropriation	<u>2,133,982</u>	<u>2,133,982</u>	<u>942,987</u>	<u>(1,190,995)</u>
Charges to Appropriations (Outflows)				
Public works	437,265	437,265	460,746	23,481
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>437,265</u>	<u>437,265</u>	<u>460,746</u>	<u>23,481</u>
Fund Balance - end of year	<u>\$ 1,696,717</u>	<u>\$ 1,696,717</u>	<u>\$ 482,241</u>	<u>\$ (1,214,476)</u>

Other Supplemental Information

Ogemaw Township
Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Principal & Interest Fund</u>	<u>Building Fund</u>	<u>Cemetery Funds</u>
Assets			
Cash and investments	\$ <u>557</u>	\$ <u>15,883</u>	\$ <u>5,986</u>
Total assets	\$ <u><u>557</u></u>	\$ <u><u>15,883</u></u>	\$ <u><u>5,986</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 90
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>90</u>
Fund Balances:			
Unreserved	<u>557</u>	<u>15,883</u>	<u>5,896</u>
Total fund balance	<u>557</u>	<u>15,883</u>	<u>5,896</u>
Total liabilities and fund balances	\$ <u><u>557</u></u>	\$ <u><u>15,883</u></u>	\$ <u><u>5,986</u></u>

<u>DDA</u>	<u>Total nonmajor</u>
\$ <u>8,393</u>	\$ <u>30,819</u>
\$ <u><u>8,393</u></u>	\$ <u><u>30,819</u></u>

\$ <u>-</u>	\$ <u>90</u>
<u>6,000</u>	<u>6,000</u>
<u>6,000</u>	<u>6,090</u>

<u>2,393</u>	<u>24,729</u>
<u>2,393</u>	<u>24,729</u>

\$ <u><u>8,393</u></u>	\$ <u><u>30,819</u></u>
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Ogemaw Township
Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Fund
Year Ended June 30, 2006

	Principal & Interest Fund	Building Fund	Cemetery Fund
Fund Balance - Beginning of year	\$ 557	\$ 15,725	\$ 4,913
Resources (Inflows)			
Taxes and fees	-	-	-
Charges for service	-	-	2,150
Interest	-	158	137
Transfers from other funds	66,495	-	-
Amounts available for appropriation	<u>67,052</u>	<u>15,883</u>	<u>7,200</u>
Charges to Appropriations (Outflows)			
General government	-	-	1,304
Community development	-	-	-
Debt service	-	-	-
Principal retirement	25,000	-	-
Interest and finance charges	41,495	-	-
Total charges to appropriations	<u>66,495</u>	<u>-</u>	<u>1,304</u>
Fund Balance - end of year	<u>\$ 557</u>	<u>\$ 15,883</u>	<u>\$ 5,896</u>

DDA Fund	Total Nonmajor Funds
\$ (5,656)	\$ 15,539
8,473	8,473
	2,150
	295
	66,495
<u>2,817</u>	<u>92,952</u>
	1,304
424	424
-	-
-	25,000
-	41,495
<u>424</u>	<u>68,223</u>
<u>\$ 2,393</u>	<u>\$ 24,729</u>

APPENDICES



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Ogemaw Township
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ogemaw Township as of and for the year ended June 30, 2006, which collectively comprise Ogemaw Township's basic financial statements and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ogemaw Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogemaw Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAS, P.C.

Rose City, Michigan

October 30, 2006



ROBERTSON & CARPENTER CPAs, P.C.

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

October 30, 2006

To the Township Board
Ogemaw Township

We have audited the financial statements of Ogemaw Township for the year ended June 30, 2006, and have issued our report thereon dated October 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Ogemaw Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Ogemaw Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ogemaw Township are described in Note 1 to the financial statements. We noted no transactions entered into by Ogemaw Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ogemaw Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ogemaw Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Ogemaw Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ogemaw Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Other Comments

The Township credit card policy requires documentation of all credit card transactions as soon as possible to the Township Clerk. In a few instances, the documentation was not available in the Township files. All credit card transactions should include the documentation required by the Township policy when the statements are submitted for approval and payment.

This information is intended solely for the use of the Township Board and management of Ogemaw Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, P.C.

ROBERTSON & CARPENTER CPAs, P.C.